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BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, INC.

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A Merchant Turns to Money-lending in Philadelphia

The history of the part played by the sedentary merchant in financing the business of his time is a long and important story. We know that merchants served as suppliers of capital to others as far back as in twelfth-century Genoa. Through the centuries mercantile families and sedentary merchants, as they grew old and rich, tended to specialize in lending money for business purposes. This contribution of the sedentary merchant was important in the economic life of many countries over centuries of time.

A late instance of this type of business man, and of this kind of service, is found in America in Nathan Trotter, a Philadelphia importer and dealer in metals. The original records of Trotter's business show that he invested considerable amounts of his capital in commercial paper, thus helping to finance specialized merchants and such other industrial specialists as were appearing in the period of the transition from mercantile capitalism to industrial specialization in the United States. This instance of the merchant's contribution of working capital to others of his time has special significance because almost nothing has been written on the subject by students of American business history. What Trotter's papers reveal about his discounting of commercial paper thus throws light on an important part of the business history of the first half of the nineteenth century in America.[1]

Nathan Trotter, a Philadelphia Quaker, was in business from 1809 until his death in 1853. In 1809 he and an older brother,

[1] The original business records of the Trotters, metal importers and dealers, covering the years 1798-1916, are in the Baker Library, Graduate School of Business Administration, Harvard University. The collection consists of nearly a thousand bound volumes — daybooks, ledgers, cash books, bank books, invoices, orders, correspondence, etc. — together with a wealth of unbound manuscript material. The firm is still doing business, Philadelphia still being its headquarters.

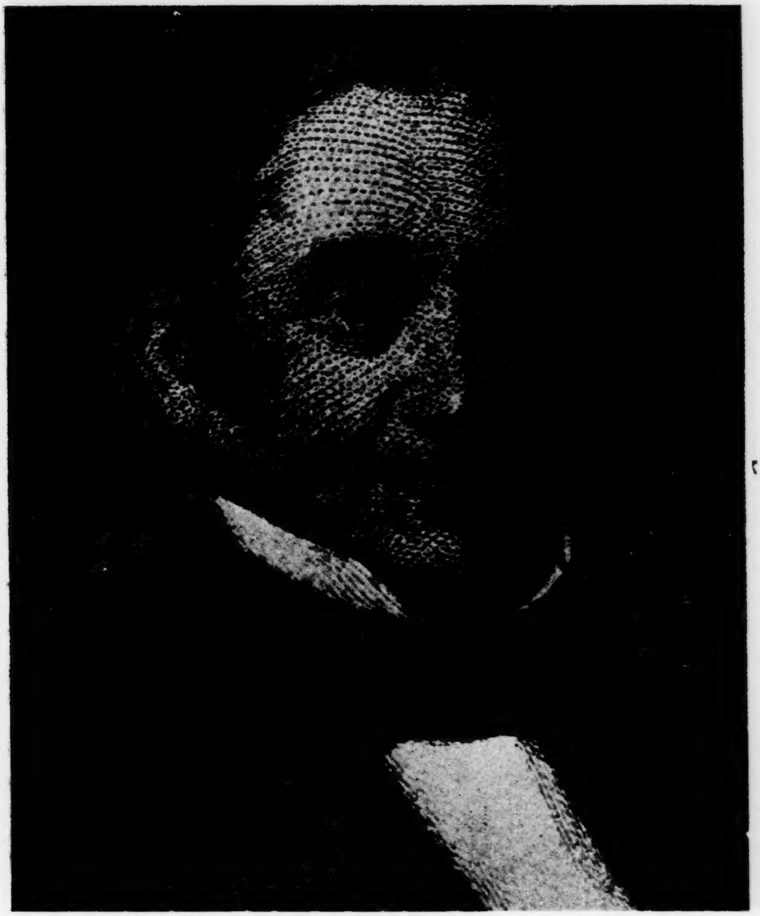
Joseph, became partners of their eldest brother, William, who had set up in business for himself on Front Street, Philadelphia, six years earlier. The brothers imported English woolens, leather, and such semi-manufactured metal goods as copper sheets and bottoms, steel, wire, and tinplate. Joseph withdrew from the firm in a few years and, after the death of William in 1815, Nathan continued in business alone as a dealer specializing in semi-manufactured and pig metals — both imported and domestic — under the firm name of Nathan Trotter & Co. Joseph Trotter again was his brother's partner from about 1817 until the 1830's, contributing only capital and perhaps financial advice since he was connected with the Bank of Pennsylvania where he served first as clerk, next as cashier, and finally as president. After Joseph's withdrawal from the firm in the 1830's, Nathan remained sole owner until 1840, when his two oldest sons were taken into the firm. Ten years later he left the business to his four sons and henceforth devoted his time to commercial-paper dealings.

From the early days of the firm's history, the Trotters employed some of their funds outside the importing business. The eldest brother, William, in addition to the accumulated profits on the business, had in 1805, 1806, and 1807 loaned money borrowed from the Bank of Pennsylvania and from members of the Trotter family. His "accommodation notes," as his daybook calls them, for $600 and $700 were discounted at the Bank at 6 per cent, while he himself was discounting the notes of others at as high a rate as 18 per cent — of course the borrowed funds were not constantly employed.

The total amount of money which William and, later, Nathan Trotter put to work for various members of the family was sizable. In 1818, at a time when the cash balance of Nathan Trotter & Co. was $8,736.25, the sums deposited with the firm by members of the family to be applied so as to yield them 5 or 6 per cent were as follows:

$12,355.57	from Nathan as guardian of William Trotter's children
4,236.57	from Ann, wife of Joseph Trotter
4,336.57	from Susan, wife of Nathan Trotter
816.00	from Thomas, younger brother of Joseph and Nathan
60.00	estate of Rebecca, sister of Joseph and Nathan
$21,804.71	

Capital not needed in the firm's regular business was invested



NATHAN TROTTER
1787-1853

in adventures to the West Indies and the Orient and in real estate, securities, and commercial paper. Both the firm and the brothers individually put money into each of these various types of investment. Because the firm lumped under "Receivables," except for the years 1834 to 1837, both business receivables and commercial-paper purchases, I can present the firm's commercial-paper holdings on December 31 for those years, only:

1834	$39,291.43
1835	20,923.68
1836	24,236.69
1837	4,419.64

If to the above sums are added Nathan Trotter's purchases with private funds, which are listed in the table on page 78, and the purchases of Joseph Trotter, it is evident that the total amount of capital supplied to others by this one family in the first half of the nineteenth century was considerable.

The remainder of this article is concerned only with Nathan Trotter's investment of private funds in commercial paper. At the time of his death, as the following figures show, over half of his capital was invested in commercial paper. In his private account books, "Receivables" is used for commercial-paper purchases.

Value of Nathan Trotter's Estate, 1853

Cash	$ 29,824.12
Receivables	528,357.43
Stocks and loans [2]	150,709.76
Real estate	109,506.99
Miscellaneous	18,139.56
	$836,537.86

There are a number of reasons why the commercial-paper business appealed to Nathan Trotter as an investment for surplus capital. First of all, it was profitable. Although the legal rate of interest in Pennsylvania was 6 per cent, it had been decided that "a fair *purchase* may be made of a bond or note, even at twenty or thirty *per cent.* discount, without incurring the danger of usury." [3] Discount rates were not infrequently 12, 18, and 24

[2] These "loans" consisted of bonds (municipal and transportation) and loans on mortgages.

[3] 2 Dallas 92. *An abridgement of the laws of Pennsylvania . . . with reference to reports of judicial decisions in the Supreme Court of Pennsylvania.* Philadelphia: 1811, John Purdon, junr.

per cent. Since discounting was so much more profitable than the metal business, one wonders why Nathan Trotter did not go into discounting entirely. He has left us the answer: he wanted to keep the metal business for the "juniors."

Contrary to Nathan Trotter's policy, some merchants of those days invested in manufactures — Anson Phelps of New York and Isaac McKim of Baltimore went into metal manufacturing — but that required skills and risks not congenial to Trotter. His knowledge of the credit rating of his fellow-Philadelphians, on the other hand, gave him a good background for discounting. This knowledge was gained from association with his customers, from fellow-merchants in other lines of business, and probably from his banker brother, Joseph. Since it tied up capital for short periods only, discounting was a more suitable investment for family loans, payable on demand, than was investment in real estate or in adventures.

Nathan's money-lending falls rather naturally into four periods. These were as follows: I, 1818-26, when loans, never over $15,000 a year, were made chiefly to fellow-merchants; II, 1827-33, when loans increased from about $22,000 a year to probably $100,000 and represented in addition to loans to his neighbor merchants the purchase of notes from auctioneers, a hardware merchant, and a dry-goods merchant; III, 1834-40, when receivable purchases amounted to over $225,000 in one year; and IV, 1841-53, when his receivables rose to about a million and a half dollars a year and his capital was financing a wide range of business activities.

I. Money-Lending, 1818-26

The period 1818-26 was, in general, a time of money stringency. In 1818, the year when Nathan Trotter made his first loans, credit contraction was causing widespread financial difficulty, and money continued tight throughout 1819 and 1820 and was scarce again in the spring of 1822 and in 1825 and 1826.[4] During this period Trotter loaned to his tailor or to his neighbor merchants by discounting their 60- or 90-day notes in his favor. These notes were often not endorsed and in some cases were renewed year after year. Interest rates were frequently high, 7½ per cent, 10, 12, 20, and even 30 per cent being charged. The tailor, C. C. West, whose notes were renewed from 1823 to 1830, paid only 6 per cent.

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[4] Willard L. Thorp, *Business Annals* (New York, 1926), pp. 118-120.

The firm whose notes he discounted most often in this period was Thomas & Martin; in fact, he held their notes throughout the 1830's and 1840's. The Thomases were business associates of the Trotters of long standing. As far back as the Trotter records go, some member of the Trotter family was usually engaged in a shipment or an adventure with a Thomas. Discounting the note of a Thomas was merely the 1820 variation of the 1810 adventure.

Thomas & Martin, "merchants," were in business at No. 51 North Front Street, just two doors away from Nathan Trotter & Co. Advertisements in *The National Gazette and Literary Register* show that Thomas & Martin sold occasional lots of wool, beeswax, and ginseng "all in shipping order," and "paper hangings." They advertised regularly the sale of cotton yarn, hand-weaving being important about Philadelphia throughout the first half of the nineteenth century,[5] but their main business was the sale of American manufactured cloth.[6] They had "constantly for sale" Blackstone shirtings and sheetings which they "received on consignment from the manufactory."[7] By 1830 they had become one of the Philadelphia agents of the regular line of schooners between Providence and Philadelphia. Undoubtedly they had to advance money on these consignments, and their loans from Nathan Trotter were probably for this purpose.

Although he was discounting some paper, Nathan Trotter was not actively engaged in money-lending between 1818 and 1826. Both the sums involved and the careless way in which they were recorded show this to be so. Not all his loans were recorded in the private daybooks and ledgers — the source of information about his money-lendings — and sometimes he casually entered interest on "a renewal made some time ago." His profit on money-lending in 1818, as indicated in the table on page 78, was only $568.50 and the *total* profit for the three years 1823, 1824, and 1825 was only $614.15. The years 1818 and 1826, years when money was tight, mark the high points in his lending in this early

[5] Victor S. Clark, *History of Manufactures in the United States* (New York, 1929), vol. i, pp. 538, 549, 559.

[6] They advertised "cotton yarn from Woodville, Phoenix, Little Falls, Blackstone, and other approved factories" (Aug. 25, 1825); "shirtings, sheetings, plaids, stripes, from Blackstone, Scituate, Sterling, and Williams Factories," also "Peterboro Shirtings received from Boston" (May 2, 1825).

[7] May 30, 1825.

period. In 1818, total receivables were $13,794.92 and in 1826 they amounted to $11,577.30. In the period as a whole, however, Trotter was first and foremost a merchant; only in a minor way did he engage in helping to finance by way of loans the activities of others, then only to close acquaintances or friends.

II. Money-Lending, 1827-33

At the close of 1826 certain bonds and mortgages belonging to William Trotter's estate were paid off, and, since no opportunity offered to invest the money at 6 per cent, Nathan Trotter, guardian of William's children, concluded to take it, until something better could be done, paying 5 per cent. From this time on, commercial-paper discounting became more of a business with Trotter, and thereafter he kept in his private books orderly lists of Receivables, with information under such headings as date of note, endorser, from whom purchased, rate, when due, and amount.

Trotter continued to hold the notes of neighbor merchants but added three new types: he purchased batches of notes from a Philadelphia firm of auctioneers, from the Philadelphia branch of an English hardware firm, and from a dry-goods merchant. In 1833, at the close of this period, over 70 per cent of the hundred notes he had purchased that year were from these three houses.

The auctioneers, Jennings & Thomas and their successors, extended a great deal of credit. They gave credit of four months — extended to six months beginning in 1830 — to the purchasers of goods bought at auction and made liberal advances, so they advertised, to consignors. The notes which Nathan Trotter purchased from the auctioneers had been given to the auctioneers by Philadelphia merchants in payment for British, French, and domestic dry goods, for oriental imports, and for furniture, books, and groceries. A batch of a dozen or so of these notes amounted to seven or eight thousand dollars. Nathan Trotter usually purchased the notes a month or two after date and held them until due. They were endorsed by the auctioneer, and the discount rate on all in a given lot was the same.

From A. Harrold, representative of the Birmingham house of William Harrold & Sons through whom the Trotter firm purchased English hardware, Nathan Trotter purchased batches of notes given Harrold by his customers. Often, naturally, Harrold's customers were Nathan Trotter's customers, too, and their credit rating was well known to him. The notes of these hardware and

FIGURES ON NATHAN TROTTER'S MONEY-LENDING
1818-1853

Year	Total Receivables for the Year	Receivables on Dec. 31	Yearly profits (Interest balance)	Commission Earned in the Year	Cash on Hand Dec. 31
1818	$13,794.92	....	$568.50	....	$18,211.26
1819	9,270.38	....	257.99	....	100.63
1820	1,245.38	....	96.34	....	12.86
1821	....	....	85.08	....	2,314.70
1822	....	....	62.88	....	634.39
1823	6,464.57	....	....	....	200.89
1824	1,994.00	....	....	....	77.53
1825	7,454.58	....	....	....	887.88
1826	11,577.30	....	412.91	....	1,561.09
1827	22,244.40	$10,981.75	888.71	....	226.13
1828	42,867.15	14,285.93	717.18	....	3.63
1829	....	....	....	....	1,520.79
1830	....	23,867.01	....	....	559.11
1831	96,603.89	33,494.53	....	....	3,260.77
1832	....	....	....	....	7,758.48
1833	....	....	4,336.62	....	....
1834	....	47,435.27	4,550.99	....	3,716.35
1835	....	59,763.57	3,782.42	$381.66	7,706.51
1836	....	79,897.43	9,430.90	4,725.17	2,689.09
1837	....	56,619.88	6,914.31	4,166.90	19,699.70
1838	....	58,010.48	4,086.71	1,353.40	11,340.67
1839	225,168.00	79,513.28	11,493.53	294.37	153.45
1840	138,681.52	52,197.77	8,247.93	....	57,184.09
1841	265,679.74	124,448.54	14,620.70	....	40,187.33
1842	347,824.08	172,665.18	26,922.10	....	2,692.27
1843	331,780.25	125,707.15	12,198.12	....	58,158.42
1844	380,304.30	184,989.44	15,072.54	....	5,868.16
1845	543,716.57	237,707.77	23,483.32	....	2,871.73
1846	669,826.96	242,796.54	28,960.61	....	22,959.82
1847	782,745.97	360,905.88	33,188.81	....	2,381.75
1848	1,156,050.75	408,646.86	54,011.09	....	1,850.14
1849	1,068,705.88	420,248.23	37,735.57	....	16,754.38
1850	1,336,434.66	488,132.21	43,079.56	....	12,683.51
1851	1,480,794.81	599,913.50	63,927.78	....	12,761.49
1852	1,494,684.47	....	55,564.87	....	....
1853	....	528,357.43[a]	....	....	....

[a] Receivables, Feb. 1, at the time of Nathan Trotter's death.

saddlery dealers and watchmakers usually ran for from sixty to ninety days and were discounted as soon as given.

Henry Farnum & Co., whose place of business was at 45 North Front Street, next door to the Trotter firm, and whose senior member was a particular friend of Nathan Trotter, was the third firm whose notes Trotter bought in batches. Farnum dealt in domestic goods from Providence and English imported cloths. The notes which Trotter purchased from Farnum were four, five, and six months' notes from Philadelphia merchants and there were some eight months' notes — the unfailing sign of the purchase of a firm listed in the *Philadelphia Directory* as handling dry goods.

III. Money-Lending, 1834-40

The period 1834-40 interrupted the earlier development. One reason for the interruption is indicated by the statement concerning the condition of the money market for those years in Thorp's *Annals*:[8]

1834. Money very tight, easing slowly.
1835. Money easier, but tightens late in year.
1836. Money extremely tight.
1837. Money very tight.
1838. Money eases.
1839. Money market tightens to panic and bank failures, October.
1840. Slowly easing money market.

While money was generally tight, old types of business dropped out, and some new and very profitable types took their place. Nathan Trotter stopped discounting the batches of notes formerly purchased from the dry-goods merchant and the auctioneer — although he purchased the auctioneer's personal notes — and continued only through 1835 to discount those of the English hardware exporter's representative.

During these years, and these years only, Trotter entered such transactions as the following in his Private Daybook:

1835
Nov. 6 Richard Oakford dr to Sundries
To Bills Payable
for my note dated 15 Oct — 7 mos in his favour, issued in exchange for his note same date & tenor — — $9000

[8] Thorp, *op. cit.*, pp. 121-123.

To Comm a/ct	
chgd him 2½ Com:	$225
Sundries dr to Richard Oakford	
Bills rece for his note 10 mo 15	
fav S Archer 7 mos —	$9000
Cash	
Recd Com: chgd for Exchg	$225
Bills Payable dr to Cash	
paid R Oakford for my note above	$8709
To Interest a/ct	
disct — Bk rate	$291

The transactions are not clear to me. It appears that when money was tight he exchanged notes with the borrower, charging a commission of from 2 to 4⅝ per cent. Then he discounted his own note, charging the bank rate of interest. Although Trotter charged both commission and interest on the transaction, it may well have been considered a favor by the borrower since Trotter did it only for such particular friends as Thomas & Martin, Henry Farnum, or Richard Oakford with whom he was at the time sharing some ventures to Calcutta and Canton. The profitable nature of the transactions is indicated by the commission figures in the table on page 78. In 1836, for example, he received $9,430.90 in discounts on loans and $4,725.17 as commissions "chgd for Exchg," to quote the Daybook.

Safe investments were often scarce, judging by the cash-balance figure in Nathan Trotter's records. On December 31, 1840, his Receivables amounted to $52,197.77 while his cash balance was $57,184.09. He was at the same time investing heavily in securities and real estate and putting some capital into adventures to the Orient.

Beginning with this period the account books mention collateral: $14,000 in business notes to ensure payment of two $5,000 notes; shares of stock of the Western Bank of Baltimore and of the Bradford Coal Company; certificate loan of the Sandy & Beaver Canal; certificate of deposit in the Agricultural Bank of Mississippi and in the Commercial Bank of Natchez; and even a bill of sale of the ship *Washington*.

IV. Money-Lending, 1841-53

In the period 1841-53 Nathan Trotter's annual purchases reached about a million and a half dollars. In 1840 his two eldest sons, Edward Hough and George, had entered the firm as partners

and were carrying on much of the routine business. Their father in these years withdrew large amounts of cash from the firm and devoted more time and money to discounting.

Nathan Trotter, as we have seen, obtained many of the notes discounted in the period 1818-26 directly from the holder; some were purchased from a third party, possibly a broker. About three-fourths of the notes purchased during the period 1827-33 had been bought from the auctioneer, the English hardware exporter's representative, and the dry-goods merchant — all of whom had received the notes in the course of their business. Only in the period 1834-40 did the broker begin to appear frequently in the records, and even then a large amount of Trotter's purchases were directly from the borrower. But from 1841 to 1853 the broker was his chief source of supply.

There were many brokers in Philadelphia dealing in commercial paper in the 1840's and 1850's. Some merchants had been attracted to the business. One such was Thomas G. Hollingsworth, from whom Trotter obtained the largest number of his receivables between 1841 and 1853. The firm of S. & T. G. Hollingsworth, listed as merchants in the *Philadelphia Directory* of 1816 and of 1837, advertised such goods as wines from Marseilles, olives, and anchovies. Some time between 1837 and 1842, Thomas G. moved from the firm's former place of business at 73 South Wharves and established a brokerage business at 53 Walnut Street.

Hollingsworth dealt in the commercial paper of all sorts of business: notes and occasionally acceptances of dry-goods merchants, druggists, grocers, importers, auction and commission merchants, shipping merchants, coal dealers, leather dealers, general merchants, manufacturers, railway companies, canal companies, and coal and navigation companies.

A commission of one-fourth per cent was charged by Hollingsworth as a few references in the Trotter Papers indicate. Hollingsworth did not endorse the receivables in which he dealt nor was he responsible for payment. He did, however, attend to collections when there were collection difficulties. Ordinarily notes were paid at the Bank of Northern Liberties or the Bank of Pennsylvania; occasionally to Hollingsworth; and to Trotter rarely. Trotter "did not appear" in the transactions. In the case of one collection difficulty, on April 14, 1842, "Tom" arranged it — "I was not

known in the matter," wrote Trotter. Another entry records: "I hold protested notes of E Levick Co. . . . amto to $3900. & thro T. G. Hollingsworth I recd. of him from Wm Neal assignee a dividend of $396.45 T G H representing the debt."

There was a good deal of give-and-take in Trotter's dealings with Hollingsworth. When interest rates got as low as "4% too bad," Hollingsworth occasionally divided his commission with Trotter. When rates were low and Trotter thought they would go higher before six or eight months' notes should become due, Hollingsworth sometimes agreed to buy them back or have them discounted if Trotter wished.

Bank Alley, South Third, Dock, and Walnut streets were brokerage centers. There were the places of business of Morgan Ash, C. P. Bayard, William H. Newbold, H. P. Truefitt, and about a dozen others from whom Nathan Trotter purchased notes. Now and then he bought from the bill brokers, "Sol" Moses or Isaac Moses, the note of a firm whose paper he often held. Some men from whom he purchased commercial paper were listed in the *Philadelphia Directory* as merchants. Adolph E. Borie, later first vice-president of the Union League and for a few months Secretary of the Navy in Grant's administration, sold Trotter quantities of notes although listed in the *Directory* as "merchant."

During this period (1841-53) the types of paper became more varied. Previously Nathan Trotter had merely sampled the notes of local manufacturers. Now he purchased them regularly — often at high discount rates. The notes of railroad, canal, and coal and navigation companies were added, while those of grocers, dry-goods merchants, commission merchants, auctioneers, dealers in leather, and plain "merchants" continued to be purchased.

Since Philadelphia was a center of the textile industry and *the* center of printed calico manufacture, it was natural that the notes of textile manufacturers should be discounted by Trotter. He usually held the notes of Joseph Ripka, outstanding manufacturer of cottons in the Philadelphia area; and the notes of David S. Brown, a dry-goods merchant and the founder and president of the Gloucester Manufacturing Company, and of J. & W. Horrocks, dyers and finishers of cotton goods were also frequently discounted.

Other manufacturers whose notes were regularly discounted included the following: Joseph L. Lovering & Co., "steam sugar refiners;" Israel P. Morris & Co., iron founders; Reeves, Buck

& Co., manufacturers of nails and railroad iron; Baldwin & Whitney, locomotive manufacturers; the Lehigh Crane Iron Co.; and F. & W. Perot, brewers.

Nathan Trotter did not wish to own and run a factory. When the manager of Isaac McKim's Baltimore copper mill, shortly after McKim's death, suggested that Trotter run the mill, he refused. An undated estimate of the cost of building and running a textile factory and the possible profits (found in the Trotter Papers) indicates, since it is not in the handwriting of anyone connected with the firm, that someone tried unsuccessfully to interest Nathan Trotter in such a venture. Though averse to manufacturing, he was willing to profit from the Industrial Revolution as a supplier of both capital and materials. He discounted the notes of such men as Ripka and Brown and also sold cylinders used in the printing of calico.

Nathan Trotter also helped to finance the Industrial Revolution through his dealings with the railroads. During the 1840's and up to 1853 he made fairly large loans to the Philadelphia & Reading Railway directly and also to its president, John Tucker, and to the financially interested Gihon & Co., probably for the Railway's use. In 1847 he discounted eight notes of Gihon & Co. which amounted to $124,000. One of the notes, for sixty days, was discounted at 6 per cent; the others, for ninety days and four months, were discounted at 9, 12, and 18 per cent. Some Reading notes were endorsed by President Tucker; in 1852 he discounted Tucker's note for $30,000, taking Reading stock as collateral.

During this same period Trotter purchased shippers' notes received by the Reading Railway. It was customary at that time for railroads to give credit on freight. A typical lot of notes, purchased in February, 1847, and endorsed by the Philadelphia & Reading, amounted to $10,688.02. They included some drawn by Samuel Bradford, treasurer of the Railway, on Rogers, Sinnickson & Co., coal merchants; on Jaudons & Mason, whose nail warehouse was at 9 North 5th Street; and on John R. White, president of the Mt. Carbon Rail Road Co. and of the Delaware Coal Co.

Notes of the following transportation and coal companies were also discounted: the Union Canal Co., the Buck Mountain Coal Co., the Lehigh Coal and Navigation Co., the Hazleton Coal Co., and the Little Schuylkill Navigation Rail Road and Coal Co.

Nathan Trotter, the metal dealer, purchased through brokers the notes of a variety of merchants: dealers in hides and leather, dry goods, wool, groceries, coal, drugs, hardware, stoves, and produce; importers; and shipping and commission merchants. The Daybook sometimes contains such an item as "bought eight grocers notes" and the discount rate on all was the same. The rate on merchants' notes was low, particularly on those of dry-goods merchants.

The bulk of the notes which Nathan Trotter purchased were those of Philadelphians or of Pennsylvania companies. However, the batches which he purchased of the Reading Railroad and the Lehigh Crane Iron Co. did include notes of such out-of-State firms as Horner & Co. and Corning of Albany, New York, Peter Cooper of New York City, and the Fall River Iron Works of Massachusetts.

This brief study indicates the importance of the private money-lender in a period when commercial banks were inadequate for current business needs. The amount of business done by this one merchant is impressive. Commercial banks did not satisfy the requirements of the types of business which Trotter served. "About 1815," so Miss Myers states,[9] "the banks of Philadelphia made it a general practice to discount only notes of 60 days or less although they later became more lax." The notes which Nathan Trotter purchased of the auctioneer in 1827 and 1828 ran for four months and from 1829 on, they usually ran for six months. Trotter generally purchased them a month or two after date and held them until due. Out of 72 of the hundred receivables which he purchased in 1833, only six were for so short a period as 60 days: the others ran for three, four, six, and eight months.

Furthermore, something of the mechanism of money-lending at the time is indicated by the study of Nathan Trotter's commercial-paper transactions. There is a change from direct to indirect loaning accompanied by the increasing importance of the broker. Whereas Trotter in the early period of his money-lending let his money out directly to friends or associates in business, in the last period he loaned it to all kinds of business, oftentimes through brokers without Trotter's part in the transaction being known even to the borrower.

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[9] Margaret G. Myers, *The New York Money Market* (New York, 1931), vol. i, p. 55.

Nathan Trotter's money-lending, moreover, illustrates a development which has a general significance in the history of American business. In the period of the Industrial Revolution, while he was building up his own capital and helping to finance others, Trotter was also assisting in making American business independent of Europe — in financing the American specialized merchant, the manufacturer, and the railroad, Trotter was helping to free America from its long dependence on European capital and European merchants and brokers.

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The Philosophy of the Business Man

Man has developed three types of explanation of phenomena. The oldest is deistic or theological. From earliest times man has explained happenings and situations by looking to outside powers, at first to many gods and later to one all-powerful deity. We still say, "God wills it," "Thy will be done," and "the Lord giveth and the Lord taketh away." But, not later than the flowering of the Greek mind, a second type arose, namely, the metaphysical or philosophical. According to this type of explanation, there are great forces at work, such as the pursuit of liberty, economic determinism, and the unconscious urge of the reproduction of our kind. Such explanations or solutions are easy, economical, and satisfying to their devotees. They tend to reflect the working of the mind, however, rather than mirror the world that is. Reacting from the subjective, modern scholars have insisted upon a more objective approach. Impatient with deduction, they have proclaimed induction as the more fruitful method of discovering and dealing with phenomena. The result is positivism or science. For over a hundred years, workers have been allured by the new prospects, and in the group have been both Comte and Pareto: let us discover facts and classify them and avoid all metaphysical dogma.

It has taken a little time to realize that a purely objective approach, however, is impossible, that induction without deduction leaves us short of the goal, and that we must have theories or principles if we are to make mental progress. Let any of us attempt to argue or explain or even to classify significantly, and we find ourselves resorting to metaphysics and logic. To be sure, this may be unconscious but it is none the less real. And so let us be as scientific as possible but not fool ourselves that we can avoid philosophy or metaphysics or logic.

It is just here that Professor Lodge of the University of Manitoba comes in. He is a logician and an idealistic philosopher who aims at balance. You might call him an applied philosopher, for

he has written a book on the *Philosophy of Education* and now one on the *Philosophy of Business*.[1] Professor Lodge is clever and learned. He writes in a light vein, with a sparkle of humor and a high degree of humanism. He has given us a book that can be read chapter by chapter, for each stands alone. His very footnotes radiate learning, which rests very lightly on his shoulders.

About 1938 Professor Lodge undertook to study the philosophy of business. He read carefully a selected list of works by economists. The resulting manuscript was an exposition of what economists thought about business. The subject of business was therefore really very lightly dwelt upon and with a considerable measure of perversion. With no loss of time, the author tore up the script and started over again. In the meantime, he read my *Business and Capitalism* and the *Casebook in American Business History*, compiled by Dr. Larson and myself. Above all, he corresponded with Dr. Charles W. Moore, who had finished a "History of the Waltham Watch Company" (published as *Timing a Century*, 1945), which Professor Lodge read and used to great advantage. Dr. Moore, being a devotee of Pareto, turned Professor Lodge's attention to the necessity of including Pareto in his book. Professor Lodge deals with Pareto, however, only to dispose of him and his championing of pure science as against metaphysics.

It is interesting to see what Professor Lodge found in business history that was useful in his analysis. He accepted petty capitalism, industrial capitalism, and financial capitalism and illuminates all three in his pages. He did not deal with mercantile capitalism because that system has disappeared. We may well regret this omission, for there is much in mercantile capitalism that would bear careful analysis. The national capitalism of the present era Professor Lodge deals with as naziism or fascism.

Professor Lodge does not endeavor to consider the philosophical aspects of all parts of business. He emphasizes production, distribution, and management. Finance is omitted, as are the staff jobs of accounting, statistics, employee relations, and public relations.

In this little book we have the first treatise on business administration from the standpoint of philosophy. Pragmatism (the philosophy of action) is most necessary to petty capitalism but is inherent in all business. It is perhaps significant that pragmatism is

[1] Rupert C. Lodge, *Philosophy of Business*. Chicago: University of Chicago Press, 1945. Pp. xi, 432. $5.00.

almost wholly an American creation and development. Realism (or the philosophy of contemplation) is found in business as the unit grows, indeed definitely in both industrial and financial capitalism. And idealism (the philosophy of insight) has its place too; for the experts are idealists, as are most of the workers and now the national capitalists or those who, owning little capital, control business through political devices and administrative machinery. What a lot of insight we have here as to present-day developments! The rank and file of voters are electing leaders who are idealists like themselves and who are taking control away from pragmatists and realists. Not a few of the thinkers of the modern world fear the results of this change, as many fear the effects of the atomic bomb.

Of the hundreds of views and bits of insight into business, none stands out as of greater significance than the generalization that the successful business man may be pragmatist, realist, and idealist all in one, that partners or company executives may form a team that combines all these types. "To the present writer," Lodge states, "it seems certain that the balanced judgment is both more widely distributed and more easily studied in the business field than in the family or in the state" (p. 424).

The author points out that Aristotle considered the family and politics, but not business. Mediæval philosophers emphasized authoritative conceptions of church and state. Early modern philosophers were influenced by mathematical physics. The nineteenth century saw biology and its evolutionary dialectic in the ascendancy. And now, in the twentieth century, the great influence is fast becoming social. It may be that Professor Lodge is not too late in putting business into the social category at this time. That a great effort has to be made to do this seems incredible but such is the case. Aquinas included business in his great treatise for the sake of completeness and the pragmatists deal with it briefly; but none before Lodge seems to have considered it at length and in its major implications.

And now, in Professor Lodge's hands, all knowledge is of a piece. The approaches to an understanding of phenomena differ according to human variations. To comprehend action in business or elsewhere we must study philosophy as we must study science. Our drives may be selfish but success lies only through logical processes.

And so business administration threatens to become respectable

because it has been given a place in long sanctified philosophy. Philosophy itself now comes down to earth in a consideration of the phenomena of business, and there is fair promise that its appeal will grow as it becomes more useful to the man who must earn a living. History may even advance beyond the grooves of economic history and study the course of business which has given man sustenance through all the days of his political and religious endeavors. And intellectual history must now broaden its scope to include what has been hitherto put down as "material." Perhaps the days of intellectual chivalry, riding the high horse of the mind, are over, when we learn that the business man is the most balanced of our leaders.

Who among us should read this book? Probably none of the old fellows, for they already know the truth. But the young scholars should devour this book from cover to cover to learn what a mask of intellectual death has been spread over scholarship through the ages. The philosopher, the social psychologist, the economist, and the student of business administration should all be required to pass a test based upon this treatise. And the business historian will see in it one of the few outside acceptances of what he has been trying to do. Moreover, the business historian will see his ideas, his categories, and his examples of business men illuminated far beyond his own vision of the past.

N. S. B. Gras,
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Marketing Sewing Machines in the Post-Civil War Years

The development in the nineteenth century of new manufactured products which were made in large quantities and under increasing competition as the decades passed brought great changes in marketing organization, in the financing of marketing, and in selling methods. Since there was no adequate experience, no precedent, to go by, the changes that came were largely improvised and experimental. Some of the problems that arose and attempts at solving them are well illustrated by what happened in the marketing of sewing machines.[1]

One of the most important inventions of the nineteenth century, especially for the housewife, was the sewing machine. The original American patent was granted to Elias Howe in 1846, and Isaac Singer's invention followed four years later. Singer recognized the need of advertising to acquaint potential buyers with his product. In fact, he advertised his sewing machines and he advertised for agents to sell them even before his patent had been granted or his merchandise had been made ready to market. Soon other companies — Grover and Baker, Wilcox and Gibbs, Wheeler and Wilson, Domestic, Howe, and others — also saw the value of advertising, and sewing machines were brought to public attention through the medium of newspapers and such women's magazines as *Harper's Bazaar, Hearth and Home, Godey's Lady's Book,* and *Arthur's Home Magazine*. Indeed, magazine advertising proved so valuable that manufacturers of inferior machines often printed testimonials purported to have been published in reputable magazines for women!

The Singer Sewing Machine Company was such a successful advertiser that its competitors devised schemes to counteract its acknowledged advantage. Two competing companies, Grover and Baker and Wilcox and Gibbs, for example, made arrangements with magazines and newspapers whereby their machines were

[1] This article is based on the author's typescript doctoral thesis, submitted in 1942, The Growth of Household Conveniences in the United States, 1865-1900, a copy of which is in the library of Radcliffe College.

ISAAC SINGER
1811-1875

offered free for a specified number of subscriptions. Should any aspirant fail to obtain the required number of subscriptions, cash payments could be used to make up the balance. Wheeler and Wilson, another competitor, boasted that they had been chosen by the Princess of Wales as "Sewing Machine Manufacturers to her Royal Highness" and added that this was "The only honor of this kind ever conferred upon a sewing machine house."

Another method of bringing sewing machines to public attention in their early years was that of displaying them at international exhibitions, the first being the one held at the Crystal Palace in New York in 1853.[2] Wheeler and Wilson advertised that they had received the highest award both at this exhibition and at the international exhibition in Vienna in 1873. Most American manufacturers showed their products at every exhibition during the period. The high spot was the Centennial at Philadelphia in 1876, where the number of American sewing machines displayed was unbelievably large. By 1893 and the World's Fair at Chicago, fewer companies were manufacturing sewing machines, since inferior brands could not meet the competition of improved models and small companies, lacking financial backing, had gone out of business.

Various other ways of reaching and influencing prospective buyers were tried, with the Singer Company again blazing the trail. Free demonstrations were the rule, and, if the prospective customers became customers in fact, they were given the half hour's instruction considered sufficient for mastery of the intricacies of the sewing machine. Each machine was accompanied by a booklet which explained the mechanism and method of operation.

While some manufacturers sold their products through wholesalers, merchandisers, and retailers, Singer relied on its own agencies or on orders from its own salesmen who covered outlying districts. By 1863 Singer had its agencies in all American cities of any size and in Canada and Europe as well. Factories were so dispersed that machines could be supplied to agencies or salesmen in minimum time. By 1880 the company was selling machines to Germany, Japan, Russia, Mexico, India, Ireland, and South America. Singer also sent canvassers to cover country districts

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[2] A picture of this exhibit appeared in the souvenir anniversary edition of *The Singer Light* (1941), the house organ of the Singer Sewing Machine Company.

and towns, going from house to house. The horse-and-buggy salesman soon became a part of the American scene.

Most companies sold their machines with a year's guarantee and, by the late 1860's, gave customers an allowance on their old models. These machines, taken in exchange, were repaired and sold at a cost which was low enough so that almost every woman could afford to buy one. The sale of secondhand machines opened a new market for manufacturers and furthered the campaign to introduce them into every home. Often skeptics were willing to take a chance on a low-cost sewing machine of good make if they did not stand to suffer too much financial loss should their investment prove a disappointment. Manufacturers, too, usually permitted prospective purchasers to buy sewing machines on a sixty- to ninety-day trial basis. Although some machines were returned at the end of the trial period — customers often going from one manufacturer to another and always having a trial machine on hand — results were encouraging enough to justify continuing this sales incentive.

As early as 1856 the Singer Company introduced payments on the installment plan, thus appealing to low-income-level buyers. Soon other companies followed suit and sales increased. By 1900, buying on the installment plan had become a permanent selling feature in the sewing machine business.

While studied advertising campaigns had brought sewing machines to the attention of all magazine and newspaper subscribers, and various schemes designed to interest buyers had been introduced even before the Civil War, sales were insignificant as compared to those in the years between 1880 and 1914. By that time 85 per cent of the sewing machines manufactured were for family use rather than for industrial establishments. In 1878 the last patent, that on the four-motion feed, expired, and those companies which had survived had to meet stronger competition. Improved models were introduced, each manufacturer striving to produce a lighter, faster, simpler, and more silent product. The Singer Company — which had absorbed its closest and most dangerous rival, Wheeler and Wilson — employed the largest group of technicians in the industry and maintained a continuous research program. They were, by that time, the largest manufacturers of sewing machines in the world and had the greatest financial backing. By 1900 they had increased their sales to half a million machines a year.

During the 1890's new competitors with new policies intensified sales campaigns. True and Company of Augusta, Maine, offered a sewing machine free to one person in each locality as a means of introducing their product which, they boasted, was "made after Singer patents." There was no obligation attached to the offer except that the recipient show it to all her neighbors. Announcements of this offer were made in *The Practical Housekeeper*, a magazine published for women in lower-income brackets. More alarming to established sewing-machine companies was the Cash Buyers Union of Chicago, an organization which sold sewing machines on a cash basis at a cost much lower than that of ordinary models. This was an attempt to counteract installment buying and reconditioned sewing-machine sales. If the assertions in their advertisements can be believed, reputable sewing machines could be bought under this plan for less than half price.

Still another competitor was the newly organized Sears Roebuck and Company. Their president, Julius Rosenwald, concentrated his efforts on lowering sewing-machine costs for the company's mail-order customers. By 1900, Sears Roebuck were selling their product, which, they asserted, was equal to a fifty-dollar machine, for $11.25 and $12.75.

Marketing policies for sewing machines followed the usual course of infant industries expanding into full-fledged enterprises. Up to the expiration of the last patent in 1878 the manufacturers' main concern was to introduce the product to the public and to create a demand for their own product, if possible. After 1878 the competition increased and became one of company against company. Singer officials set the example in originating policies, but their competitors soon introduced similar plans. At first, sewing machines were expensive, but soon methods were contrived whereby women in lower-income groups, also, could purchase machines. The introduction of the sewing machine was difficult at first, the implement being considered a fad, and a foolish one at that. But by the end of the Civil War the picture had changed and almost every woman wanted to own one. By 1878 it was no longer necessary to try to sell the sewing machine: the problem henceforth was to sell your own particular product.

Elizabeth M. Bacon,
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Plans for Internship in Business Archival Work

Observation of the operation of a number of large companies has convinced Professors Clough and Cochran, the two most active members of the New York Committee on Business Records, that in most companies no official is satisfactorily taking care of the problems of record management. Many of these companies have extensive private libraries and a staff of librarians, but the latter have no contact with the manuscript records of the business and no training in evaluating them. Though a company may have an excellent filing staff, control over past records is usually vested in a busy officer of the company who lacks interest in the records as historical material and thinks chiefly in terms of economical storage and early destruction.

A new type of official is obviously needed, one who will be able to help the officers in establishing wise record policies so that those manuscripts will be preserved which contain information essential to the legal department, the business analyst, and the historian, and supervise the classification, storage, and day-to-day handling of the records. This official might be called a Business Archivist, or better, perhaps, a Record Manager.

The Record Manager should be trained in business history and business economics. He should, of course, also understand library methods and record handling and storage problems. To add these elements to his training, the Columbia and New York University graduate schools of business administration are offering special internships in business archival training. The New York University announcement, for example, reads:

B.H. 277-278. BUSINESS ARCHIVAL INTERNSHIP. Professor Cochran.

September-February, 4 points: hours to be arranged by consultation with Professor Cochran.

Training in the management of business manuscripts and business libraries is provided through lectures and internships. Students registering for this course must be prepared to devote the equivalent of at least three months of full-time daily work to gaining practical experience in designated libraries and business companies. Students completing this course in addition to Business History 275-276 will be recommended as trained business archivists. Registrants must complete the full course to receive credit.

The New-York Historical Society and the United States Trust Company have generously offered to assist the two universities in this program. They will provide the necessary practical training in library work and in the problems and methods of record storage.

Owing to war-time conditions the one student registered for training this past year was in the course offered at New York University. She worked in the New-York Historical Society under the direction of Dr. Barck. From time to time during the year she had conferences with Professor Cochran regarding the problems of the historian in the business company and the problems of business history in general.

Several of the largest corporations already employ archivists or record managers but, as far as we know, none of these present administrators has studied business history. We hope that as the knowledge spreads that specially trained university graduates are available, many more companies will create such positions and fill them with young scholars who may write business history as well as manage the records. Two companies already have shown an active interest in placing such university-trained persons in charge of their records, and both of these have requested Professor Cochran to make a survey of their needs. Professors Clough and Cochran, at Columbia and New York Universities, respectively, would be glad to receive suggestions for the further development of business archival training, and to send to anyone interested literature describing the work of the New York Committee on Business History and Records.

(Signed) Thomas C. Cochran,
New York University.

Letters of a Canadian Business Man:

A Book Review

Fox, William Sherwood. *Letters of William Davies, Toronto, 1854-1861.* Toronto: University of Toronto Press, 1945. Pp. xiii, 144. $2.00.

This little book deals effectively with the early growth of a company engaged in the provision trade and packing industry in Toronto, Canada. The chief source of information is a group of 67 letters written by William Davies, who migrated from England in 1854. The letters deal principally with the early experiences of Davies in Canada during the years 1854-61. Three later letters belong to the period 1875-80.

These letters are valuable sources of information about the political and religious history of Ontario, Canadian-American trade, and Canadian-British trade. Perhaps there is no means of getting back into the spirit of a period so effectively as through contemporary letters, letters which express facts and fears, hopes and frustrations. The author was a Baptist, a hard worker, a teetotaler, and a liberal in politics. Being an immigrant, he was an observer of all he encountered.

The book contains not only the letters but also a biographical sketch of William Davies. This sketch of nearly thirty pages was written by Dr. Fox, president of the University of Western Ontario, who is also the grandson of the writer of the letters. It is written in a detached manner, is broadly informative, and displays an economy and effectiveness of presentation. It begins with the family and early life of the author of the letters in England, sketches his early business career in Toronto, and indicates the growth from a small venture into the large packing house of William Davies and Company, Incorporated, which became a unit in the national concern we know as Canadian Packers, Limited.

In writing this sketch, Dr. Fox has consulted books, articles in journals and newspapers, survivors of various activities in Canada, and scholars now working in the fields dealt with in the letters. The result is a model in comprehensiveness and balance.

For those interested in business history the main interest lies in the fact that William Davies, the writer of the letters, started out as a petty capitalist and by dint of hard work and considerable ability became a successful industrial capitalist. Beginning as a retailer of groceries and provisions, Davies became a commission merchant and pork-packer. One perennial difficulty which he encountered was obtaining an adequate supply of well-bred and properly fed hogs. We may regret that the information about the later and larger success of the industrialist is not presented at length in this book. Perhaps the records of the business may be studied some day to produce a volume that will supplement the present scholarly but unpretentious little work.

In letter after letter, written in intimacy to his brother in England, we are able to follow the progress of the petty capitalist in Toronto. After a brief apprenticeship as a grocer's clerk and independent retailer in England, William Davies migrated to Toronto where he used his savings to open a market stall. We see him invest his mite of capital, we observe his ardent spirit of enterprise, we are not allowed to overlook his own and his wife's hardships, we are introduced to his failures, and we see him finally pull with a strong oar into a safe harbor. He asked no credit at first, and gave none. He turned from the unprofitable grocery trade to the more lucrative provision and meat-packing business. He worked incessantly at making black puddings and sausages. He experienced the usual difficulties in finding efficient workers. He was always eager to expand his business. He experimented with a partnership, but unsuccessfully. Yielding to the allurement of cashing in on his success, he sold his store in order to take up farming. Back in the retail provision business, he turned to wholesaling and commission agency. He sold on consignment to England and finally became a regular exporter. He traveled to neighboring, and then distant, markets. Finally, knowledge and mastery, reputation and fortune were all his.

The history of the petty capitalist is the early history of America and Canada. The petty capitalist is the salt of the earth, though of course we cannot live by salt alone. The petty capitalist is like

a cork always bobbing up to take every opportunity offered and then going down with the wave, but as a class never sinking out of sight. Here and there one petty capitalist became an industrial capitalist and then employed his less successful fellows as foremen and superintendents. This is a long unwritten chapter of our history.

Many in Canada and America possess such letters and perhaps also diaries. Why not publish them? There is more of the substance of history in the story of your petty capitalist ancestry than in the bickerings of your neighbors' political careers.

N. S. B. Gras,
Harvard University.